

AMENDED IN ASSEMBLY JANUARY 5, 1998

AMENDED IN SENATE JULY 22, 1997

**Senate Concurrent Resolution**

**No. 44**

**Introduced by Senator Calderon**

May 12, 1997

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Senate Concurrent Resolution No. 44—Relative to apportionment of income for franchise tax purposes.

LEGISLATIVE COUNSEL'S DIGEST

SCR 44, as amended, Calderon. Franchise tax apportionment.

This measure would direct the Legislative Analyst to investigate and report to the Legislature on or before ~~October 15, 1997~~ *June 1, 1998*, regarding the treatment of sales of tangible personal property to the United States government differently from sales to all other parties in the state for purposes of a specified franchise tax apportionment formula.

Fiscal committee: yes.

1 WHEREAS, Under the Bank and Corporation Tax Law  
2 ~~(Pt. 11 (commencing with Sec. 23001), Div. 2, R. & T.C.),~~  
3 ~~(Part 11 commencing with Section 23001) of Division 2 of~~  
4 ~~the Revenue and Taxation Code),~~ a franchise tax is  
5 imposed on any corporation doing business within the  
6 limits of this state and not expressly exempted from  
7 taxation by the provisions of the California Constitution  
8 or the Revenue and Taxation Code, including aerospace  
9 corporations; and

1 WHEREAS, That tax is measured by income and, in the  
2 case of a business with income derived from or  
3 attributable to sources both within and without this state,  
4 the business income is apportioned between this state and  
5 other jurisdictions for tax purposes in accordance with a  
6 specified formula based on the property, payroll, and  
7 sales of the business within and without this state; and

8 WHEREAS, Section 25135 of the Revenue and Taxation  
9 Code provides, for purposes of that apportionment  
10 formula, that sales of tangible personal property to the  
11 United States government are treated differently from  
12 sales delivered or shipped to any other purchaser; and

13 WHEREAS, The aerospace industry makes substantial  
14 sales to the United States government; now, therefore, be  
15 it

16 *Resolved by the Senate of the State of California, the*  
17 *Assembly thereof concurring,* That the Legislative  
18 Analyst is hereby requested to do each of the following:  
19 investigate whether there are any existing factors that  
20 strongly indicate that sales to the United States  
21 government should be treated differently from sales to all  
22 other parties in the state for purposes of the franchise tax  
23 apportionment formula; determine what are the  
24 historical reasons for the current formulation; study the  
25 broad implications of treating those sales to the United  
26 States government differently from all other sales in the  
27 franchise tax apportionment formula; and determine  
28 what is the current level of sales to the United States  
29 government that are exported from, and imported to,  
30 California; and be it further

31 *Resolved,* That the Legislative Analyst shall report ~~its~~  
32 *his or her* findings to the Legislature on or before ~~October~~  
33 ~~15, 1997~~ *June 1, 1998.*

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